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Free Trade

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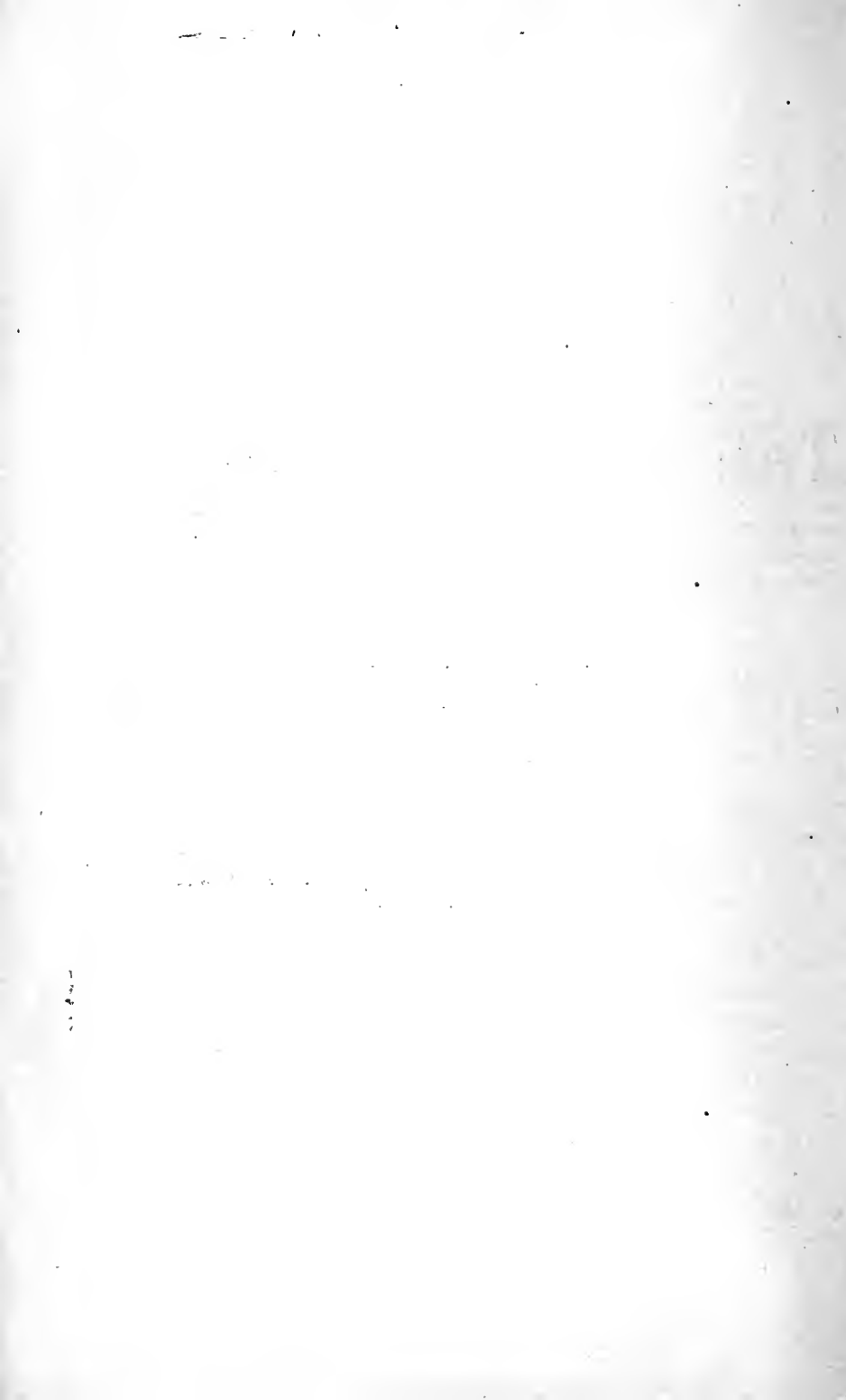
THE TIN=PLATE TRUST.

BY

BYRON W. HOLT.

The third in a series of letters issued by the New England
Free Trade League.





THE TIN-PLATE TRUST.

An Excellent Sample of a Tariff Trust.

Its monopoly is complete, and it arbitrarily raises prices to the tariff limit.

To maintain its artificially high prices, it has closed more than thirty mills. To maintain its monopoly, it has made it impossible for outsiders to obtain either mills or raw materials. Its officers formed the National Steel Company, which controls the supply of tin plate bars. Its power over product and prices is almost absolute while protected by a high tariff.

By BYRON W. HOLT.

The tin-plate industry affords an excellent object-lesson for the study of the tariff trust question. It is the one particular industry to which the protectionists always "point with pride," because, as they tell us, it would not have existed in this country, had there been no McKinley Tariff Bill. In the sense that the tariff is the mother of the industry, they admit that the tariff is the mother of the trust that undoubtedly exists in the industry.

Free traders, on their part, welcome the discussion, and are able to present indisputable evidence that the industry has cost the American people, because of the tariff, an enormous amount more than it is worth, and that the balance on the wrong side, in spite of sanguine predictions, continues to increase while the duty is retained.

Moreover, they hold that, whether or not the tariff is directly responsible for the tin-plate trust, it is clearly responsible for the high prices which the trust is extorting from American consumers.

In the first place, it is instructive to inquire how much American consumers have paid in the last nine years, in order that this industry should be established.

The duty on imported tin plates was 1 cent per pound previous to July 1, 1891; then 2.2 cents until Oct. 1, 1894; then 1.2 cents until July 24, 1897; since then 1.5 cents per pound.

COST OF TIN-PLATE INDUSTRY.

FISCAL YEAR.	Total pounds used.	PRICE PER POUND.			Cost of industry.
		In bond.	New York.	Difference.	
1891	1,036,489,074	3.6 cts.	5.1 cts.	1.5 cts.	\$15,547,336
1892	435,822,921	3.0	5.2	2.2	9,588,104
1893	728,245,104	2.9	5.1	2.2	16,021,392
1894	593,384,293	2.7	4.9	2.2	13,054,453
1895	701,840,011	2.5	3.9	1.4	9,825,760
1896	692,367,604	2.4	3.5	1.1	7,616,044
1897	677,055,746	2.4	3.2	.8	5,416,446
1898	853,336,373	2.3	3.0	.7	5,973,355
1899	*858,489,826	2.5	3.4	.9	7,726,408
	6,577,030,952			1.5 cts.	\$90,769,298

The price of imported plates in bond in New York is obtained by adding 1-10 cent per pound to the foreign, or invoice, price, as given in the "Statistical Abstract." This amount covers transportation charges. The New York price is the actual price at which IC Bessemer Coke 14 by 20 tin plate sold in New York in each year. The difference column shows exactly how much more the wholesale buyer paid for tin plates in New York than he would have paid, had there been no duty.

Rebates on re-exported tin plates in manufactured forms (the exact figures are not attainable) reduce this total to between \$80,000,000 and \$84,000,000, as the direct cost in the last nine years of "creating" the industry. This is the extra amount paid by wholesalers and metal workers; but, by the time they were repaid by the American people who ultimately bought the goods and footed the bills, the addition of legitimate profits swelled the amount to over \$100,000,000.

Our people paid this for a competitive industry which promised to put prices down: they got for their money a monopoly which arbitrarily marks them up.

In 1898 the industry was well on its feet, and capable of existing without tariff support. In November of that year the price at the mills in Pittsburg had fallen to \$2.65 per box, which was within 5 cents of the price of foreign plates in New York, without duty.

* Imports in 1899 108,489,820 pounds. Domestic production in 1899 estimated at 750,000,000 pounds.

THE TRUST DESCRIBED.

During 1898 negotiations were begun to form a company that should control all the plates of the country. These negotiations were finally successful; and in December the trust was launched under the laws of New Jersey as the American Tin Plate Company.

This is such a model and well-developed trust that a brief description of it will be both interesting and instructive.

It is capitalized at \$50,000,000,—\$20,000,000 preferred and \$30,000,000 common stock. It contains about forty plants and two hundred and eighty mills. The total cost of duplicating these mills in 1898 (about \$20,000 per mill) was not more than \$6,000,000. The value of the real estate purchased and the cash with which the trust began business probably made the actual value of the assets of the company, at its foundation, between \$10,000,000 and \$12,000,000. The price paid for these plants is said to have been \$18,000,000 of common and \$18,000,000 of preferred stock. The promoter retained \$10,000,000 of common stock for his services, and \$2,000,000 of each kind of stock remains in the company's treasury. The present market value of the stock is 86 for the preferred and 38 for the common. The total value of the outstanding stock is, therefore, \$26,000,000.

While this company may not be legally a trust, in the original sense of the word, its Executive Committee is cleverly constructed to perform the work of actual trustees. The members cannot be removed by the board of directors, and have almost absolute control. Stockholders cannot examine the books of the company.

This trust now owns practically every mill in the country making tin plates for the general trade. The only mills, either built or building, which it does not own are the following:—

New York Enamelling and Stamping Company, reported, will have forty mills at Granite City, near St. Louis.

Alcania Tin Plate Company, Avonmore, Pa., was building two mills when the trust was formed. As it is a poor co-operative company, the trust refused to pay the high figures asked for it by the workmen.

Lalance Grosjean Company has five or six mills for making plates for granite-ware. Does not sell tin plate to the public.

At Muskegon, Mich., eight mills now building will be ready to

produce in six or eight months. Even if these mills ever succeed in making tin plates, it is expected that the greater part of their product will be taken by the Champion Chemical Works of Chicago, and other companies interested in the building of these mills.

At Washington, Pa., two or three mills to manufacture tin plates with charcoal are being constructed.

Thus the more important outside mills either make plates only for their own use or make specialties, and do not compete in the general market. Not 1 per cent. of all plates sold to the public are made outside the trust.

If, as it expects to do, the American Tin Plate Company holds its present tight grip on the tin-plate bar market, none of the above mills can ever make tin plates except by the grace of the trust. Its present policy is to permit no company to make tin plates except for its own use.

NEITHER MILLS NOR BARS FOR OUTSIDERS.

To maintain its monopoly, it is said to have five-year agreements with the six or eight manufacturers of tin-plate machinery, which prevent them from making mills for outsiders. It is therefore nearly impossible for outsiders to obtain equipments for tin-plate plants. Furthermore, the trust is so interlocked with the other trusts which produce tin-plate bars that it is doubtful if any real competitor could obtain bars and other raw materials. Thus the National Steel Company—capital, \$59,000,000—was organized in the interest of the American Tin Plate Company, and for the purpose of controlling the production of tin-plate bars. The close connection between the two great trusts is evident from the fact that the president, D. G. Reid, vice-presidents, William F. Leeds, William T. Graham, and Warner Arms, and the treasurer, Fred S. Wheeler, of the American Tin Plate Company, are all directors of the National Steel Company. Similar though not such close connections exist with some of the other steel-producing trusts. On this point the *American Metal Market* of May 9 said:—

“Up to the present the trust, owning every mill in the United States, has had to compete with the resale of plates purchased at low prices. . . . As regards new mills, all the talk and efforts in this direction seem to be dying out.

“The consolidation of the steel interests lately effected, and which, as far as raw material for tin-plate mills are controlled by

the Tin Plate Trust, makes it unwise to erect tin-plate mills, as they apparently could not at present secure their raw material. We therefore find the Tin Plate Trust entire masters of the situation, and it will be absolutely easy for them to regulate production to the requirements of consumption. The chances of any change in the tariff are too remote and uncertain to enter at present into the calculation."

To limit the supply to the restricted demand at the artificially high prices, the trust has closed the following mills:—

MILLS CLOSED BY TRUST.

Baltimore Tin Plate Company, Baltimore, Md.	2 mills.
Britton Rolling Mill Company, Cleveland, Ohio	3
Cincinnati Rolling Mill & Tin Plate Company, Cincinnati, Ohio	4
Cumberland Steel & Tin Plate Company, Cumberland, Md.	5
Hamilton & Co., West Newton, Pa.	2
Marshall Brothers & Co., Philadelphia, Pa.	6
Ohio River Sheet & Tin Plate Company, Rochester, Pa.	2
Somers' Brothers, Brooklyn, N.Y.	8
Stickney Iron Company, Baltimore, Md.	2
Total 9 plants	<hr/> 34 mills.

The two plants at Baltimore and the one at Brooklyn have been dismantled. Two or three other plants are said to be closed much of the time. While several of the mills closed were built as experiments, and are inferior and cheap, the most of them were good producing mills. An average of somewhat less than fifty men to a mill were employed in these plants.

PRICES AND PROFITS.

When the trust was being formed in November, 1898, what were said to be conservative and carefully prepared estimates of sales, earnings, and profits for 1898 were made public. These estimates were as follows:—

The gross output of the mills was stated to be 7,633,556 boxes. On the basis of the then operating expenses a profit of 35 cents a box, or \$2,671,754, was made by the mills when prices of tin plate were lowest. Under the new arrangement the operating expenses were to be reduced by \$1,000,000, making a total estimated profit of \$3,671,754. After deducting \$1,260,000 for dividends on the

preferred stock, \$2,441,754 would be left for dividends on the common stock.

The prices at which the stock has been sold on the New York and Chicago Exchanges show that, in good business circles, these estimates were regarded as reliable.

When these estimates were published, tin plate was selling at \$2.65 at the mills, or \$2.80 in New York, for 100-pound boxes:

AVERAGE PRICES OF TIN PLATE AT NEW YORK.

	<i>Date.</i>	<i>American.</i>	<i>English (in bond).</i>	<i>Difference.</i>
1898.	June	\$2.85	\$2.50	.35
	July	2.80	2.50	.30
	August	2.80	2.50	.30
	September	2.80	2.55	.25
	October	2.80	2.50	.30
	November	2.80	2.60	.20
	December	2.90	2.60	.30
1899.	January	3.20	2.60	.60
	February	3.55	2.65	.90
	March	4.00	2.70	1.30
	April	4.07½	2.80	1.27½
	May	4.07½	2.90	1.17½
	June	4.07½	3.10	.97½
	July	4.35	3.60	.95
	August	4.60	3.70	.90
	September	4.85	3.65	1.20

Thus not only did the trust advance prices immediately, but in March, four months after the trust was formed, it had them within 1-5 of a cent a pound of the importing point, the duty being 1½ cents. The trust raised prices at the mills on July 14 to \$4.37½, and again on August 26 to \$4.65, which price has been since firmly held. Although this makes the price at New York 30 cents under the importing price for 100-pound plates, it is so near the importing price for 80-pound plates that the trust dares not mark up prices again for the present.

PRICE ADVANCES NOT JUSTIFIED BY COST OF MATERIALS.

To what extent were the advances in price justified by the increased cost of raw materials?

In the first place, it is not true, as often asserted in protection

papers, that the advances were caused by the increased cost of raw materials. On the contrary, the advances in price of tin plates preceded the advances in billets and tin. Thus from November 15 to January 6 tin plate advanced 35 cents a box; while the rise in raw materials was only equal to about 14 cents. From November 15 to February 17 tin plates were marked up 85 cents; while the advance in raw materials was only 30 cents per box. From November 15 to March 8 prices of plates were marked up \$1.22½, less than half of which was explained by the prices of materials. From November 15 to October 6 tin-plate prices advanced just \$2; although the advance in prices of raw materials justified a rise of only \$1.55, or of \$1.75, if, as the protectionists claim, labor had advanced 20 cents a box. Thus it is clear that the trust advanced prices arbitrarily, and with more regard to the price at which foreign plates could be imported under a protective tariff than to the increased cost of Bessemer bars,—themselves the product of another tariff trust, which, as we shall see, also arbitrarily advanced prices.

The following are Pittsburg prices of steel billets—or tin-plate bars—and of pig tin and tin plates at different dates, the first being two days before the formation of the trust was announced and the others those on which the principal advances in price of tin plates were made:—

PRICES AT PITTSBURG.

<i>Date.</i>	<i>Billets. Per ton.</i>	<i>Tin. Per 100 pounds.</i>	<i>Tin Plate. Per 100 pounds.</i>
November 15	\$15.00	\$17.85	\$2.65
January 6	16.25	20.75	3.00
February 17	18.00	23.75	3.50
March 8	23.00	23.70	3.87½
July 14	33.00	29.50	4.37½
August 6	36.00	31.70	4.65
October 6	38.00	32.26	4.65

Because of false statements widely circulated in protectionist organs, it is necessary to explain the above carefully ascertained figures in detail.

About 2½ pounds of tin are required to coat 97½ pounds of steel sheets and produce 100 pounds of steel plates. The sheets are rolled from Bessemer bars, which now sell at the same price as steel billets. A ton of bars (2,240 pounds) will yield, on an average, 20 boxes (100 pounds each) of tin plates, about 2 of which are

seconds, or "wasters,"—slightly inferior plates, which sell for about 25 cents per box below the price of the other 18 boxes. The 290 pounds of unused steel is valuable as scrap, and sells somewhat higher than pig iron, having risen in value like other steel. The advance in the price of coke is said to add about 9 cents per box to the cost of producing tin plates. A claimed advance of 20 per cent. in the cost of labor is said to add 20 cents per box; though, as the total labor cost was below 75 cents a box in 1898, it is not clear how the 20 cents is reached, even if it is true—as is doubtful—that a 20 or even 25 per cent. advance has actually become effective in all departments.

Taking the prices of November 15 and the present prices, we obtain the following results:—

October 6, billets	\$38.00
November 15, billets	15.00
Rise in billets	<u>\$23.00</u>
Rise in billets per box	\$1.15
Rise of scrap per box085
Net rise steel per box	<u>\$1.065</u>
October 6, tin (100 pounds)	\$32.25
November 15, tin (100 pounds)	17.85
Rise in tin	<u>\$14.40</u>
Rise in tin per box	\$0.36
Rise in steel per box	1.065
Rise in labor per box20
Rise in other items per box105
Total rise all items per box	<u>\$1.73</u>
October 6, tin plates per box	\$4.65
November 15, tin plates per box	2.65
Rise in price	\$2.00
Increased cost product	1.73
Rise in profit	\$0.27
Profit stated in 189835
Present profit	<u>\$0.62</u>
Profit on 7,500,000 boxes	\$4,650,000.00
7% on preferred stock	1,260,000.00
	<u>\$3,390,000.00</u>
12% on common stock	3,360,000.00
Surplus	<u>\$30,000.00</u>

Percentage water in common stock	100
Percentage water in preferred stock	40
Percentage profit on value plants	40

The above estimate of profits does not include the \$1,000,000 which the consolidated, or trust, method of production was to save in expenses. That 62 cents per box is not far from the present actual profit is asserted by those in the trade who have heard officers of the trust say that the present cost of producing plates is close \$4 per box.

THE TIN-PLATE BAR TRUST.

But the officers of this trust do not get all of their tariff profits from this trust. As stated before, they organized the National Steel Company to control the principal raw material of tin plates. It matters but little whether they sell Bessemer bars to themselves at a low price, and take all of their tariff profits in tin plates, or whether they mark up bars, and get much of their profits from that source. They have concluded that it looks better to compromise, and to take profits on both tariff trusts.

Last November tin-plate bars were selling in England at £4 15s.,—\$23.08. They are now selling at £6 5s.,—\$30.42. Hence the foreign advance has been only \$7.34, while the advance at Pittsburg has been \$23. While not all this difference—\$15.66—is chargeable to the tariff, it is evident that the present high prices could not be maintained, were there no duty on imported steel.

Again, the price of English tin plates in bond has gone up only \$1.05 per box,—from \$2.60 in November to \$3.65 at present; while the price of American tin plates has gone up \$2. The difference—95 cents—probably represents the amount of tariff profits which are milked from the tin plate and tin-plate bar trusts by the one set of men.

THE TARIFF CURSE.

It is thus clear that "protection" is responsible for the tin-plate trust and its many sins. The tin-plate industry, because it came as an industrial mendicant, has always been a curse to this country. It began by interfering with or ruining thousands of well-established and independent concerns, which asked for no governmental aid, but only to be let alone. Because of the increased cost of tin

cans in 1891, canning factories were compelled to reduce wages, discharge hands, and pay lower prices for vegetables and fruits. The loss to farmers, who have since been unable to sell their surplus products to canners, has been enormous. The loss to laborers who are deprived of cheap canned foods is also great. But dear tin and sugar here have helped to more firmly establish the canning industry in England, from whence we get much of our jams and marmalades, after paying a stiff duty on them.

How the tariff operates is told by the Wilmington (Del.) *Every Evening* of about October 1. After stating that 3-pound cans had advanced from \$1.45 to \$2.90 per 100, and that the increased cost was limiting the amount of tomatoes canned as well as the prices paid to growers, who are losing a large part of their crops, *Every Evening* says: "As the protective tariff makes it possible for American tin-plate manufacturers to increase the price of tin, and as this increase restricts the operations of the canners, with the consequent loss to farmers who have raised large quantities of tomatoes, and cannot find the expected profitable market for them, the tariff therefore is the basic cause of the farmers' ill success. The farmers have been industrious, and brought forth large crops as the fruit of their labors. The tariff interferes with a profitable disposal of these crops. Thus the tariff injures the farmers instead of conferring a benefit upon them."

Had there been no duty at all, the tin-plate industry would probably have established itself here during the cheap iron and steel era, from 1893-98, as did the bicycle and other steel industries. It was, in fact, cheap steel which made possible the very rapid growth of the tin-plate industry, under the comparatively low duties of the Wilson bill.

Let Congress abolish the duties on imported tin plates, and we shall at once get rid of the evils of this iniquitous trust,—high prices, watered stock, working "agreements" with other trusts, and monopoly of material and product. The whole structure rests upon our monopoly-producing tariff system.

NEW YORK, Oct. 10, 1899.

